

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

ANNUAL REPORT PURSUANT TO SECTIONS 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 1981

Commission file number 1-7392

COMMODORE INTERNATIONAL LIMITED

(Exact name of registrant as specified in its charter)

COMMODORE INTERNATIONAL LIMITED

(Translation of registrant's name into English)

Bahamas

(Jurisdiction of incorporation or organization)

Sassoon House, Shirley & Victoria, Nassau, Bahamas
and

950 Rittenhouse Road, Norristown, Pennsylvania 19403
(Address of principal executive offices)

Securities registered pursuant to section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each Exchange on which registered</u>
Common Stock, No Par Value, \$.01 Stated Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

NONE

Securities for which there is a reporting obligation pursuant to Section 15(d)
of the Act: NONE

Shares outstanding at June 30, 1981: 10,072,145

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the regis-
trant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days.

YES X NO _____

ITEM 1. DESCRIPTION OF BUSINESS

General Development of Business

Commodore International Limited is a Bahamian public company, with perpetual existence under the laws of the Bahamas, which is the successor through a reorganization effected in August, 1976 to a Canadian corporation. The predecessor company, Commodore Business Machines (Canada) Limited, was organized under the laws of Ontario, Canada in October, 1958. The reorganization in 1976 was an internal reorganization of the Company and its subsidiaries and did not affect the presentation of the consolidated assets or liabilities of the companies nor the cost basis of assets or the amount of liabilities. Unless the context otherwise requires, references to the Company and the Registrant include Commodore International Limited and its subsidiaries.

Over the past five fiscal years, the Company has been transformed from basically a manufacturer of electronic consumer products to a vertically integrated manufacturer of microcomputer systems and semiconductors. For the fiscal year ended June 30, 1976, approximately 90% of the Company's business was the manufacture and sale of electronic consumer products, with office equipment representing the remainder of sales. During fiscal 1981, computer systems and semiconductor components resulted in 71% and 19%, respectively, of the Company's sales. Consumer products resulted in only 4% of sales, with office equipment representing the remaining 6%.

In November, 1976, Commodore Business Machines, Inc., a subsidiary of the Company, acquired an 86% interest in MOS Technology, Inc. ("MOS Tech"), a company located in Norristown, Pennsylvania. In 1977, MOS Tech purchased substantially all of its capital stock held by shareholders other than the Company. Mos Tech manufactures and sells integrated circuits based upon metal-oxide-semiconductor ("MOS") technology.

In February, 1977, the Company acquired a 100% interest in Nortex Products ("Nortex") and Gildon Metal Enterprises Limited ("Gildon"), a division and a subsidiary, respectively, of Superpack Corporation Limited, a Canadian corporation. At the time of acquisition, approximately 23% of the shares of Superpack were owned by Diversified Credit Corporation, a company owned and controlled by Irving Gould. See Item 4, Control of Registrant. At the time of the acquisition, Nortex and Gildon manufactured and sold steel consumer products complementary to the steel operations of the Company. In May, 1980, Gildon was merged into Commodore Business Machines Limited, a Canadian corporation, which is a subsidiary of the Company.

In April, 1978, Commodore Electronics Limited ("CEL"), a subsidiary of the Company, purchased substantially all of the outstanding shares of Frontier Manufacturing, Inc. ("Frontier"), a company located in Costa Mesa, California. In January, 1979, CEL transferred all of its shares of Frontier to Matthews Europe B.V., a Netherlands company, as a contribution of capital. In November, 1979, Matthews Europe B.V. changed

its name to Commodore B.V. Frontier produces integrated circuits used mostly in the manufacture of electronic watches.

In February, 1979, the Company purchased all of the outstanding shares of Micro Display Systems, Inc. ("MDSI"), a manufacturer of electronic watches and liquid crystal displays located in Dallas, Texas. In August, 1980, the Company transferred all its shares of MDSI to CEL who in turn transferred all such shares and all its shares of Commodore Business Machines, Inc. to Commodore B.V. as a contribution of capital.

On January 1, 1981, MOS Tech, Frontier and MDSI were merged into Commodore Business Machines, Inc., which is the surviving corporation.

Principal Products

The Company is engaged primarily in the design and manufacture of microcomputer systems, semiconductor components, electronic consumer products and office equipment.

Computer Systems

The Company manufactures several models of microcomputers, including the PET® 4000 series, CBM 8000 series, VIC, and related peripheral devices.

The VIC is a full-feature, expandable color computer system, which connects to any color television set or monitor and provides 5K RAM (Random Access Memory), expandable to 32K RAM. The VIC also includes 4 internal sound amplifiers; specifically, 3 tone (music) generators and 1 sound (noise and sound effects) generator. Each amplifier has 3 octaves and uses a television or monitor speaker. The VIC provides the user with a computer system as well as color and sound making the VIC both a computer and a video game.

The PET® includes two different memory sizes: 16K and 32K RAM. Each PET® also includes 18K of ROM (Read Only Memory) containing a computer language known as BASIC 4.0 with 9 digit floating binary arithmetic which is designed to be easy to learn and program. BASIC permits the development of versatile software and expansion into more markets. Other features include a self-contained video monitor capable of displaying 1000 characters in a 40 character X 25 line screen format, a typing keyboard with upper case alphabetic characters, and a separate calculator/numeric keypad. A shift key gives 64 graphic characters. The PET® can be used for business, educational and scientific applications.

The Company also manufactures the CBM 8000 series computer which is similar to the PET® except that the 8000 incorporates an 80 column built-in monitor capable of displaying 2000 characters (80 characters X 25 lines) and is available only with a typewriter-style "business" keyboard. The 8000 series also has graphic keys accessible by poking a

special command. The CBM 8032 is available with 32K RAM; the CBM 8096, with 96K RAM. Each CBM 8000 series computer also includes 18K ROM containing BASIC 4.0 with 9 digit floating binary arithmetic. The CBM 8000 series computer is used mostly for business applications.

The Company also manufactures and sells a line of peripherals to complement the central processing units described above. The Model 4040 dual drive floppy disk is an intelligent storage peripheral that supplements the computer's memory and utilizes 2.0 DOS (Disk Operating System). The Model 4040 can store up to 340K bytes of information using industry standard 5-1/4" floppy diskettes (170K bytes per diskette). The Model 8050 dual drive floppy disk utilizes 2.5 DOS and can store up to 1018K bytes of information using industry standard 5-1/4" floppy diskettes (509K bytes per diskette).

The Company also sells a variety of other peripheral equipment including printers, modems, external cassettes, other communication devices and software.

The major portion of the Company's sales of microcomputer systems is outside the United States through both Company owned subsidiaries acting as distributors and independent distributors who sell to dealers who in turn sell to the general public. However, the portion of the Company's sales of computer systems in the United States is increasing. Company owned or affiliated subsidiaries are located in the United States, United Kingdom, West Germany, Switzerland, Japan, Australia, Hong Kong, Canada, Denmark and Norway. The Company's international markets include countries in North and South America, Europe, Africa, Australia and Asia.

Semiconductor Components

The Company manufactures microprocessors, single chip microcomputers, timekeeping circuits, NMOS and CMOS Large Scale Integrated Circuit (LSI) semiconductors, Liquid Crystal Displays (LCDs), Random Access Memory (RAM) and Read Only Memory (ROM) chips, all for use both internally and for sale to outside customers. A microprocessor is an integrated circuit that contains on a single monolithic structure all of the classic computer functions; a single chip microcomputer adds the additional functions of RAM, ROM and input/output. The Company manufactures several types of microprocessors which have a wide range of applications including small computers, computer peripherals, appliance controllers, telecommunications equipment, process controllers, office equipment and electronic games. The Company manufactures single chip watch circuits which contain all of the timing, counting, decode logic, and voltage multiplier circuitry required by a multifunction LCD watch. The circuits are manufactured with a CMOS process to achieve low voltage and low power consumption. The Company also produces a variety of melody chips for use as an alarm.

MOS integrated circuits are particularly suitable for applications which demand low cost, low power, small size, and high reliability. They typically consist of several thousand electronic components, i.e.

Net Sales During the Past Five Fiscal Years

(000's Omitted)

FISCAL YEAR	TOTAL NET SALES	GEOGRAPHIC SEGMENTS		
		NORTH AMERICA	EUROPE	ASIA
1981	\$186,500	\$75,200	\$85,600	\$25,700
1980	125,600	45,900	60,800	18,900
1979	71,100	33,600	26,800	10,700
1978	50,200	34,600	12,700	2,900
1977	46,200	22,300	23,200	700

FISCAL YEAR	TOTAL NET SALES	PRODUCT SEGMENTS			
		COMPUTER SYSTEMS	CONSUMER PRODUCTS	ELECTRONIC COMPONENTS	OFFICE EQUIPMENT
1981	\$186,500	\$132,500	\$ 8,200	\$34,900	\$10,900
1980	125,600	82,800	11,100	18,900	12,800
1979	71,100	34,400	15,900	10,000	10,800
1978	50,200	12,200	19,400	9,800	8,800
1977	46,200	-	32,800	7,900	5,500

New Products

The Company has announced several new computer systems products which include the SuperPET computer and the CBM 2031 and CBM 8250 disk drives.

The SuperPET computer provides 96K RAM, an additional 6809 16 bit microprocessor, and a standard data communication interface. The

SuperPET has a typewriter styled keyboard with an 80 column by 25 line display, and can use several languages, including BASIC, FORTRAN, APL, PASCAL and Assembler. In the future, the SuperPET is expected to use COBOL as well.

The CBM 2031 disk drive stores up to 170K bytes of memory on a single floppy disk, while the 8250 dual disk drive stores over two million characters of data.

The Company's Storage Products Division was formed in June, 1981 to develop a new type of magnetic memory which is a back-up to a hard disk drive. The product will combine many of the desirable capabilities found in floppy disk memories, hard disk memories and tape drives.

Recently the Company entered into a five (5) year agreement with the Customer Service Division of TRW, Inc. pursuant to which TRW will provide on-site and drop-off service for the Company's microcomputer systems throughout the United States. As a result, service and maintenance will be more readily available to the end user.

In September, 1981, the Company entered into a Game License Agreement with Bally Manufacturing Corporation whereby the Company obtained a license to manufacture and sell on a world wide basis certain existing consumer video games which Bally has the right to license and any new games in which Bally develops or acquires licensing rights. The Agreement is effective for two years and may be extended at Commodore's option for an additional three years. The games may be used with the Company's present and future products. Initially, these games will be available on the VIC.

Several new semiconductor components are currently in the development stage, including a line of programmable timekeeping circuits which combine a multiple of existing chips on one integrated circuit, a 128K Mask ROM (high volume, low cost), and a new large area LCD for applications in consumer and industrial markets. The Company is also developing new silicon gate isoplanar CMOS technology which will provide low power microprocessor products. In addition, the Company plans to introduce a new 16 bit microprocessor. All of the aforementioned semiconductor products will be sold by the Company through its internal sales force and independent sales representatives.

Research and Development

The Company's research efforts are directed primarily toward the design and development of new semiconductor products for use in its computer systems products and the enhancement of existing products in those areas.

The Company's research and development staff is decentralized into several engineering teams within the Company's operating divisions. This enables the Company to obtain ideas from several sources and to tie research and development activities more closely to manufacturing, process engineering and marketing with respect to each product group.

During the fiscal years ended June 30, 1980 and June 30, 1981, the Company invested approximately \$6,600,000 (5.3% of sales) and \$8,400,000 (4.5% of sales), respectively, in research and development activities.

International Operations

The Company has manufacturing facilities in West Germany, Canada, Japan and the United States, assembles electronic components in Hong Kong, and sells its products throughout the world. While the Company is subject to certain risks as a result of the foregoing, such as political risks, currency or duty fluctuations, or changes in import and export policy, management believes that the risks involved are no greater than the normal risks of doing business.

Production

The Company's manufacturing operations utilize a wide variety of electronic and mechanical components, raw materials, and other supplies. The Company generally has multiple commercial sources of supply for the raw materials which are essential to its business. The Company has experienced from time to time delays in delivery, shortages, substantial price increases, and deficiencies in the quality of product delivered but the Company has not experienced any significant difficulties in meeting production and delivery obligations as a result of the foregoing. The impact is lessened as a result of the Company's vertically integrated structure.

Seasonality

Neither the computer systems nor the office equipment businesses have demonstrated to date any significant degree of seasonality. Sales of consumer goods are seasonal with peak demand occurring for the most part during Christmas and to a lesser degree during Father's Day, Mother's Day and graduation time. Sales of electronic components for consumer products are significantly influenced by the aforementioned seasonal demand. Sales of electronic components for computer systems are not seasonal.

Competition

In the computer systems business, the Company's major competitors are Tandy Corporation (Radio Shack Division) and Apple Computer, Inc. In addition, several companies with substantially larger sales volume and resources, including IBM, Xerox and certain Japanese manufacturers, have recently entered the business or have expressed an intent to do so in the near future. Many of the electronic components which are produced and sold by the Company to third parties are also produced by a number of other electronics companies, both domestic and foreign, many with substantially larger resources and sales volume than the Company. Competition in the Company's consumer products business is intensive and widespread. Technical superiority and reputation, price, delivery

schedules, support and reliability are the principal competitive factors in the Company's business. Technological innovation is essential to the Company's future success. The Company believes that it can meet this challenge through its vertically integrated structure.

Federal Communications Commission

The Federal Communications Commission ("FCC") has adopted orders and promulgated regulations imposing radio frequency emanation standards on computing equipment. The specifications set forth in those regulations are designed to reduce radio frequency interference with communications, including television and radio reception. The regulations distinguish between computing devices marketed for use primarily in a commercial, industrial or business environment (designated Class A) and computing devices marketed for use primarily in a residential environment (designated Class B).

The Company's microcomputers currently being manufactured and sold have been certified as being in compliance with respective FCC specifications and are appropriately labelled. If the Company is unable to meet the FCC requirements for its new products, it could be precluded from selling non-complying products in the United States until such modifications are completed. However, the Company does not believe this risk to be significant.

Patent, Trademarks and Licenses

The Company has been granted several patents and trademarks throughout the world and has filed several additional applications. The Company believes that success in its business is not dependent upon patent or trademark protection but rather upon engineering, production, and marketing skills. It does not anticipate that the ownership of patents or trademarks or the grant of any patent or trademark application will significantly influence its competitive position. The Company has entered into several licensing agreements which permit the Company to manufacture, sell and distribute various types of software for use with its microcomputers.

Labor Relations

Management believes that the Company's labor relations with its employees are satisfactory.

Item 2. Management's Discussion and Analysis of the Statements of Income.

The Financial Review appearing on page 16 of the Company's 1981 Annual Report to Shareholders is hereby incorporated by reference herein.

Item 3. Description of Property.

The Head Office of the Company is at Sassoon House, Shirley & Victoria, Nassau, Bahamas. The principal executive offices of the Company are at 950 Rittenhouse Road, Norristown, Pennsylvania 19403.

The Company's manufacturing facilities are located in Norristown, Pennsylvania, where semiconductor components are produced (owned - 60,000 square feet); Santa Clara, California, where computer systems and peripherals are produced (lease expires March, 1991 - 60,000 square feet); Braunschweig, West Germany, where computer systems and peripherals are produced (owned - 90,000 square feet); Costa Mesa, California, where semiconductor components are produced (lease expires July, 1986 - 64,000 square feet); Dallas, Texas, where liquid crystal displays are produced (owned - 60,000 square feet); Agincourt and Scarborough, Ontario, Canada, where steel office furniture, barbecues and housings for the Company's computer systems products are produced (lease expires July, 1983 - an aggregate of 207,000 square feet); and Hong Kong, where electronic components are assembled (lease expires March, 1982 - 31,000 square feet). In addition, testing, research and development, and repair facilities are located in Osaka, Japan (owned - 35,000 square feet).

The Company leases sales, marketing and distribution centers throughout the United States and abroad.

Where not otherwise specifically noted, facilities are leased and leases expire at various dates to 2001.

The Company recently announced the signing of an agreement to purchase a 600,000 square foot manufacturing facility in Lansdale, Pennsylvania. This facility will house the executive offices of the Company and provide for expansion of the Company's production facilities.

Production facilities are well maintained and suitable for the Company's operations, and include plant area, warehouse space and administrative offices. The plants of each of the manufacturing operations generally contain manufacturing and assembly areas, testing facilities, shipping and receiving departments, and engineering and laboratory areas. Sales and marketing facilities contain office and warehouse space.

Item 4. Control of Registrant

(a) The Registrant is not, directly or indirectly, owned or controlled by another corporation or by any foreign government.

(b) The following table sets forth as of November 6, 1981, with respect to any person who is known by the Company to be the beneficial owner of more than ten percent (10%) of the outstanding shares of the Company and with respect to all officers and directors as a group (i) the total number of outstanding shares beneficially owned and (ii) the percentage of the total number of shares so owned.

<u>Title of Class</u>	<u>Identity of Person or Group</u>	<u>Amount Owned</u>	<u>Percent of Class</u>
Common Stock, no par value, \$.01 stated value	Irving Gould	1,791,519	17.7%
	Directors and Officers as a Group	2,733,160 (1)	27%

(1) Does not include 4,700 shares owned by the wife of a director.

(c) The Registrant knows of no arrangements the operation of which may at a subsequent date result in a change in control of the Registrant.

Item 5. Directors and Officers of Registrant

(a) The following persons are the directors and executive officers of the Registrant:

<u>Name</u>	<u>Office</u>	<u>Director or Officer Since</u>
Irving Gould	Chairman of the Board of Directors	1966
Jack Tramiel	Vice Chairman of the Board of Directors and Chief Executive Officer	1958
Burton Winberg	Director	1973
Leonard I. Schreiber	Director	1977
Ralph D. Seligman	Director	1981
H.E.J. Finke	President	1981
James Bachmann	Vice President	1981
Bernhard Witter	Vice President, Finance, Treasurer and Secretary	1980
David Alderson	Vice President	1978
Alfred T. Duncan	Vice President	1981

Directors are elected at the Annual General Meeting of Shareholders to serve until the next Annual General Meeting of Shareholders or until his successor is elected or appointed. Executive officers are elected by and serve at the pleasure of the Board of Directors for one year or until his successor is elected.

(b) There are no family relationships between any director or executive officer and any other director or executive officer.

Item 6. Remuneration of Directors and Officers

The following information with respect to the individuals and group named in the following table was previously disclosed to the Company's shareholders in its proxy statement for the 1981 annual meeting of shareholders. Such table shows the aggregate remuneration paid by the Company and its consolidated subsidiaries, during the year ended June 30, 1981, for services while acting as officers and directors of the Company to (i) each of the five highest paid executive officers or directors of the Company whose aggregate remuneration exceeded \$50,000, and (ii) all directors and officers of the Company as a group:

Name of Individual or Number of Persons in Group	Capacities in Which Served	Cash and Cash Equivalent Forms of Remuneration			Aggregate of Contingent Forms of Remuneration
		Salaries, Fees, Directors' Fees, Commissions, and Bonuses	Benefits or Reimbursement, Personal Benefits	Securities or Property, Insurance	
Irving Gould	Chairman of the Board	\$229,000	-0-	-0-	-0-
Jack Tramiel	Vice Chairman of the Board and Chief Executive Officer	\$321,000	-0-	-0-	-0-
Richard D. Sanford*	Executive Vice President	\$120,000	\$465,000(1)	\$ 72,000(3)	
Gregory A. Pratt**	Vice President	\$ 77,000	\$ 40,000(1)	-0-	
David Alderson	Vice President	\$ 73,000	\$304,000(2)	-0-	
All officers and directors as a group (11 in number, including those named above)		\$1,045,000	\$859,000(1)(2)(4)	\$170,000(3)(5)	

*Resigned September 30, 1981

**Elected officer of a subsidiary of the Company in November, 1981; no longer Vice President of the Company

(1) Represents the difference between the fair market price and the acquisition price for securities acquired upon exercise of options. All such

shares issued on exercise of options are restricted shares which cannot be sold without registration under the Securities Act of 1933 or exemptions therefrom.

- (2) Represents the difference between the fair market price and the acquisition price for securities acquired upon exercise of options (\$291,000) and rental subsidy while living in Hong Kong (\$13,000). All such shares are restricted as described in footnote (1) above.
- (3) Represents the difference between the price at which certain options were granted to certain officers and the fair market value of the stock on the date of the grant. These amounts have been expensed for financial reporting purposes; however, the vesting of the right to exercise such grants is conditional on future events.
- (4) Includes \$50,000 paid an officer as a repatriation allowance to induce him to join the Company.
- (5) Includes amounts expensed for financial reporting purposes which may be paid to certain officers in the future.

The above remuneration table does not include \$34,231 paid by the Company during the fiscal year ended June 30, 1981 to Leonard I. Schreiber, a director of the Company, for fees and disbursements in connection with legal services rendered by him prior to and during that period. As of June 30, 1981, legal fees of approximately \$60,918 (after payment of the aforementioned \$34,231 by the Company), were due to Mr. Schreiber for services rendered and disbursements incurred during fiscal 1981. It does not include any amounts with respect to infrequent trips made by wives of various corporate officers and directors on the company airplane since the Company cannot determine without unreasonable effort or expense the specific amount of this benefit, and, after reasonable inquiry, has concluded that such benefits do not in any event exceed \$10,000 as to each person.

Directors who are not also employees of the Company receive an annual director's fee of \$5,000. No additional amounts are paid for Audit Committee participation.

The Company has no annuity, pension or retirement plan benefits. The Company did in fiscal 1981 pay discretionary bonuses, totaling \$420,000 to certain of its officers whose bonuses are shown in the table above, and may pay bonuses in the future. Other than bonuses paid to the Chairman and Vice Chairman, the maximum amount of all bonus payments for a given fiscal year is limited to 10% of the increase in the net income over the prior year's net income. For fiscal 1981, in addition to bonuses which may be paid to the Chairman and Vice Chairman, the Company could award up to an aggregate of \$850,000 as bonuses, which amount was accrued in the Company's financial statements as of June 30, 1981.

Item 7. Options to Purchase Securities from Registrant or Subsidiaries

(a) On November 6, 1981, there were outstanding options to purchase an aggregate of 282,300 shares of the Company at exercise prices ranging from \$1.33 to \$45.00. Options expire at various times from July, 1983 to July, 1987.

(b) As of November 6, 1981, directors and officers of the Registrant as a group held options to purchase 86,500 shares of the Company.

(c) The following information with respect to individual officers of the Company who hold options was previously disclosed to the Company's shareholders in its proxy statement for the 1981 annual general meeting of shareholders:

<u>Name</u>	<u>Office</u>	<u>Securities Subject to Option</u>	<u>Option Price</u>	<u>Expiration Date of Option</u>
Richard D. Sanford*	Executive Vice President and Secretary	16,200	\$ 7.67	3/28/86
David Alderson	Vice President	4,500	\$ 2.67	1/02/84
Gregory A. Pratt**	Vice President	3,000	\$ 8.64	12/10/84
Gregory A. Pratt**	Vice President	3,000	\$11.21	6/12/86

*Resigned September 30, 1981.

**Elected officer of a subsidiary of the Company in November, 1981; no longer Vice President of the Company.

Item 8. Pending Legal Proceedings

In January, 1981, the Company brought suit in the California Superior Court against a former employee, seeking return of 54,000 shares of the Company's common stock which were improperly received and retained by the former employee upon exercise of stock options. The Company also seeks return of compensation received by the former employee while violating his fiduciary duties to the Company as well as damages for unfair competition and injunctive relief to prevent him from inducing any further Company employees to leave and accept employment with him. The former employee filed a Cross Complaint against both the Company and Jack Tramiel, the Company's Vice Chairman of the Board, based on an alleged breach of contract, seeking compensatory damages of not less than \$2,500,000 and punitive damages of not less than \$150,000,000. The trial began November 23, 1981. Based on current information and the opinion of counsel, the Company believes there will be no recovery on the Cross Complaint.

Items 9 through 12 do not apply.

Item 13. Exchange Controls and Other Limitations Affecting Security Holders

Exchange Control practice in the Bahamas is contained in Acts and Regulations administered by the Exchange Control Department of the Central Bank of the Bahamas. The broad objectives of Exchange Control are to conserve the foreign currency resources of the Bahamas and to assist the Bahamas' balance of payments.

The Exchange Control Regulations Act of the Bahama Islands and the regulations made thereunder impose restrictions on the issue and transfer of shares or other securities of Bahamian companies to non-residents unless permission of the Central Bank is obtained. As used herein, the word "resident" means a resident for exchange control purposes of the Bahamas and the word "non-resident" means a resident for exchange control purposes outside the Bahamas.

Specific permission was granted by the Central Bank of the Bahamas on July 5, 1976 to the designation of the Registrant as a non-resident for Exchange Control purposes and to the capital of the Registrant being expressed and issued in United States currency. In addition, the Central Bank has granted blanket approval with respect to all subsequent transfers of the Registrant's shares without restrictions, subject only to the following:

- (a) the listing requirements of the New York Stock Exchange having been complied with by the Registrant;
- (b) the filing with the Central Bank of all documents and other material filed with the New York Stock Exchange in connection with the Registrant's shares; and
- (c) the filing by the Registrant with the Central Bank of a list of its shareholders on a quarterly basis.

By virtue of the Registrant being a company limited by guarantee, each shareholder of the Registrant undertakes in the Memorandum of Association to contribute to the assets of the Registrant, if it should be wound up while he is a shareholder or within one year after he ceases to be a shareholder, such amount, not exceeding Bahamian \$.10 per shareholder (irrespective of the number of shares of the Registrant held), as may be required to pay the debts, liabilities and winding up expenses of the Registrant.

Item 14. Taxation

United States shareholders of the Company are not subject to any Bahamian income taxes with respect to the shares they hold, dividends paid thereon and gains from the sale or exchange of such shares. The

current administrative practice of the Bahamian authorities is not to impose a stamp duty on a transfer of shares of the Company, although it may be possible under the Bahamian statutes for the Bahamian authorities to seek to impose such a tax on a transfer of shares executed within the Bahama Islands. There are no tax treaties between the United States and the Bahamas.

Item 15. Changes in Securities and Changes in Security for Registered Securities

None

Item 16. Defaults Upon Senior Securities

None

Item 17. Interest of Management in Certain Transactions

(a) Since July 1, 1980, there have been no material transactions which are required to be disclosed hereunder.

(b) Since July 1, 1980, there is no indebtedness of management which is required to be disclosed hereunder.

Item 18. FINANCIAL STATEMENTS AND EXHIBITS

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Consolidated Financial Statements:	
Balance Sheets - 30 June 1981 and 1980	19*
The Consolidated Balance Sheets appearing on page 19 of the Company's 1981 Annual Report to Shareholders are hereby incor- porated by reference herein.	
Statements of Income for the Years Ended 30 June 1981, 1980 and 1979	18*
The Consolidated Statements of Operations appearing on page 18 of the Company's 1981 Annual Report to Shareholders are hereby incorporated by reference herein.	
Statements of Shareholders' Equity for the Years Ended 30 June 1981, 1980 and 1979	20*
The Consolidated Statements of Shareholders' Equity appearing on page 20 of the Company's 1981 Annual Report to Shareholders are hereby incorporated by reference herein.	

*Refers to pages in the Company's 1981 Annual Report to Shareholders

Statements of Changes in Financial Position for
the Years Ended 30 June 1981, 1980 and 1979 21*

The Consolidated Statements of Changes in
Financial Position appearing on page 21 of
the Company's 1981 Annual Report to Share-
holders are hereby incorporated by reference
herein.

Notes to Consolidated Financial Statements 22-28*

The Notes to Consolidated Financial State-
ments appearing on pages 22 through 28, in-
clusive, of the Company's 1981 Annual Report
to Shareholders are hereby incorporated by
reference herein.

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All other schedules have been omitted because they are inapplicable,
not required, or the information is included elsewhere in the financial
statements or notes thereto.

Financial statements of the Registrant are presented below pursuant
to instruction 1(a) of Instructions as to Financial Statements since
Commodore International Limited, the parent company, is essentially a
holding company and not an operating company.

*Refers to pages in the Company's 1981 Annual Report to Shareholders

**COMMODORE INTERNATIONAL LIMITED
STATEMENTS OF SHAREHOLDERS' EQUITY
PARENT COMPANY ONLY**

	COMMON STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	TOTAL
BALANCE AT 30 JUNE 1978	\$ 1367000	\$ 1828000	\$ 9061000	\$ 12256
Net income	-	-	6535000	6535
Exercise of employee stock options (Note 6)	26000	133000	-	159
Issuance of shares for an acquisition (Note 2)	100000	1700000	-	1800
BALANCE AT 30 JUNE 1979	1493000	3661000	15596000	20750
Net income	-	-	16981000	169810
Issuance of shares pursuant to stock splits (Note 6)	1866000	-1866000	-	-
Exercise of employee stock options	68000	219000	-	287
Retirement of common shares (Note 2)	-101000	-763000	-1633000	-2497
BALANCE AT 30 JUNE 1980	3326000	1251000	30944000	355210
Net income	-	-	25422000	254220
Issuance of shares pursuant to stock splits	6653000	-1251000	-5402000	-
Exercise of employee stock options	93000	231000	-	3240
Compensation related to employee stock options (Note 6)	-	369000	-	3690
BALANCE AT 30 JUNE 1981	\$ 10072000	\$ 600000	\$ 50964000	\$ 616360

Reference is made to the accompanying notes to financial statements (alphabetical) and notes to consolidated financial statements (numerical).

COMMODORE INTERNATIONAL LIMITED
STATEMENTS OF INCOME
PARENT COMPANY ONLY

	/ - - - - - YEAR ENDED - - - - - /	
	30 JUNE 1981	30 JUNE 1980
REVENUE:		
Interest income from affiliates	\$ 117 000	\$ 137 000
EXPENSES:		
General and administrative	1978 000	688 000
Interest expense	1000	0
	-----	-----
Less: Amounts allocated to subsidiaries and affiliates (Note c)	1979 000	688 000
	-----	-----
	-1570 000	-6290 000
	-----	-----
	409 000	59 000
	-----	-----
INCOME (LOSS) BEFORE EQUITY IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	-292 000	78 000
	-----	-----
Equity in earnings of consolidated subsidiaries	25714 000	16903 000
	-----	-----
NET INCOME	\$ 25422 000	\$ 16981 000
	=====	=====

Reference is made to the accompanying notes to financial statements (alphabetical) and notes to consolidated financial statements (numerical).

COMMODORE INTERNATIONAL LIMITED
STATEMENTS OF CHANGES IN FINANCIAL POSITION
PARENT COMPANY ONLY

	YEAR ENDED 30 JUNE-----\		
	1981	1980	1979
WORKING CAPITAL WAS PROVIDED BY:			
Net income	\$ 25422000	\$ 16981000	\$ 6535000
Less: Equity in earnings of consolidated subsidiaries	-25714000	-16903000	-6530000
Common stock issued upon exercise of stock options (Note 6)	324000	287000	159000
Compensation related to employee stock options (Note 6)	369000	-	-
Issuance of common stock for acquisition (Note 2)	-	-	1800000
Decrease in investments in subsidiaries (Note 2)	-	1057000	-
Decrease (increase) in advances to subsidiaries	1038000	933000	-3346000
(Decrease) increase in advances from subsidiaries	-1478000	-339000	5482000
TOTAL WORKING CAPITAL PROVIDED	-39000	2016000	-4100000
WORKING CAPITAL WAS APPLIED TO:			
Increase {p} investments in subsidiaries (Note 2)	-	-	1800000
Retirement of common stock	-	2497000	-
TOTAL WORKING CAPITAL APPLIED	0	2497000	-1800000
(DECREASE) INCREASE IN WORKING CAPITAL	\$ -39000	\$ -481000	\$ 2300000
CHANGES IN WORKING CAPITAL CONSIST OF INCREASES (DECREASES) IN:			
Current Assets -			
Cash	\$ -67000	\$ -70000	\$ -113000
Prepaid expenses and advances	183000	-176000	217000
Accounts payable	116000	-184000	104000
Accrued liabilities	53000	194000	-2210000
	102000	103000	24000
	155000	297000	-10000
(DECREASE) INCREASE IN WORKING CAPITAL	\$ -39000	\$ -481000	\$ 2300000

Reference is made to the accompanying notes to financial statements (alphabetical) and notes to consolidated financial statements (numerical).

COMMODORE INTERNATIONAL LIMITED
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
30 JUNE 1981, 1980, AND 1979

(a) CONSOLIDATED FINANCIAL STATEMENTS

The Parent Company Only Financial Statements should be read in conjunction with the Consolidated Financial Statements of Commodore International Limited and Subsidiaries which have been included elsewhere herein.

(b) ADVANCES TO/FROM SUBSIDIARIES AND AFFILIATES

Since Commodore International Limited (the parent company) is not an operating company, its principal source of funds is from its subsidiaries. These funds are used to make advances to other subsidiaries or affiliates (affiliates are wholly owned subsidiaries of the parent company's subsidiaries) and to cover the parent's operating expenses which expenses are subsequently allocated to the various subsidiaries and affiliates as appropriate.

(c) INCOME TAXES

Commodore International Limited is a Bahamian company and is therefore not subject to income taxes.

COMMODORE INTERNATIONAL LIMITED
AND SUBSIDIARIES
SUPPLEMENTAL NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Provision for Income Taxes

The components of the provision for income taxes are as follows:

	/----- YEAR ENDED 30 JUNE -----*		
	1981	1980	1979
United States:			
Federal	\$ 2100000	\$ 2000000	\$ 800000
State	1000000	300000	100000
Foreign	2800000	1500000	1100000
Reversal of U.K. Taxes	-	(1700000)	-
	\$ 5900000	\$ 2100000	\$ 2000000

B. Executive Bonus Plan.

The Company has paid discretionary bonuses to certain of its officers and key employees and may pay bonuses in the future. Other than bonuses paid to the Chairman and Vice Chairman, the maximum amount of all bonus payments for a given fiscal year is limited to 1% of the increase in the net income over the prior year's net income. The Consolidated Financial Statements reflect charges of \$1,000,000 (1981), \$1,000,000 (1980) and \$250,000 (1979) applicable to such bonuses.

SCHEDULE V

COMMODORE INTERNATIONAL LIMITED AND SUBSIDIARIES

PROPERTY AND EQUIPMENT

FOR THE THREE YEARS ENDED 30 JUNE 1981

COLUMN A Classification	COLUMN B Balance at Beginning of Period	COLUMN C Additions at Cost	COLUMN D Retirements	COLUMN E Balance at End of Period
YEAR ENDED 30 JUNE 1979:				
Land	\$ 1,000,000	\$ 500,000	\$ -	\$ 1,500,000
Machinery and equipment	6,700,000	4,200,000	(500,000)	10,400,000
Buildings and improvements	2,800,000	3,100,000	(500,000)	5,400,000
Furniture and fixtures	400,000	100,000	(100,000)	400,000
Tooling	1,400,000	300,000	(500,000)	1,200,000
Leasehold improvements	700,000	300,000	(600,000)	400,000
	\$13,000,000	\$ 8,500,000	\$ (2,200,000)	\$19,300,000
EAR ENDED 30 JUNE 1980:				
Land	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000
Machinery and equipment	10,400,000	9,100,000	(400,000)	19,100,000
Buildings and improvements	5,400,000	100,000	-	5,500,000
Furniture and fixtures	400,000	400,000	-	800,000
Tooling	1,200,000	600,000	-	1,800,000
Leasehold improvements	400,000	400,000	-	800,000
	\$19,300,000	\$10,600,000	\$ (400,000)	\$29,500,000
AR ENDED 30 JUNE 1981:				
Land	\$ 1,500,000	\$ 300,000	\$ -	\$ 1,800,000
Machinery and equipment	19,100,000	12,600,000	(600,000)	31,100,000
Buildings and improvements	5,500,000	800,000	-	6,300,000
Furniture and fixtures	800,000	1,000,000	(100,000)	1,700,000
Tooling	1,800,000	900,000	(100,000)	2,600,000
Leasehold improvements	800,000	700,000	-	1,500,000
	\$29,500,000	\$16,300,000	\$ (800,000)	\$45,000,000

SCHEDULE VI

COMMODORE INTERNATIONAL LIMITED AND SUBSIDIARIES
 ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY AND EQUIPMENT
 FOR THE THREE YEARS ENDED 30 JUNE 1981, ~~1978~~

COLUMN A Description	COLUMN B Balance at Beginning of Period	COLUMN C Additions Charged to Costs and Expenses	COLUMN D Retirements	COLUMN E Balance End of Period
YEAR ENDED 30 JUNE 1979:				
Machinery and equipment.	\$ 1,800,000	\$ 1,800,000	\$ (200,000)	\$ 3,400,000
Buildings and improvements	100,000	200,000	(100,000)	200,000
Furniture and fixtures	100,000	100,000	-	200,000
Tooling.	800,000	200,000	(100,000)	900,000
Leasehold improvements	200,000	100,000	-	300,000
	\$ 3,000,000	\$ 2,400,000	\$ (400,000)	\$ 5,000,000
YEAR ENDED 30 JUNE 1980:				
Machinery and equipment.	\$ 3,400,000	\$ 2,500,000	\$ (200,000)	\$ 5,700,000
Buildings and improvements	200,000	200,000	-	400,000
Furniture and fixtures	200,000	100,000	-	300,000
Tooling.	900,000	200,000	-	1,100,000
Leasehold improvements	300,000	300,000	-	600,000
	\$ 5,000,000	\$ 3,300,000	\$ (200,000)	\$ 8,100,000
YEAR ENDED 30 JUNE 1981:				
Machinery and equipment.	\$ 5,700,000	\$ 3,900,000	\$ (800,000)	\$ 8,800,000
Buildings and improvements	400,000	200,000	-	600,000
Furniture and fixtures	300,000	100,000	-	400,000
Tooling.	1,100,000	1,000,000	(500,000)	1,600,000
Leasehold improvements	600,000	300,000	-	900,000
	\$ 8,100,000	\$ 5,500,000	\$ (1,300,000)	\$ 12,300,000

SCHEDULE VIII

COMMODORE INTERNATIONAL LIMITED AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
FOR THE THREE YEARS ENDED 30 JUNE 1981

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
		ADDITIONS		
Classification				
Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Balance at End of Period	
		Deductions		
YEAR ENDED 30 JUNE 1979:				
Allowance for doubtful accounts	\$ 500000	\$ 300000	\$ 200000 (1)	\$ 300000
YEAR ENDED 30 JUNE 1980:				
Allowance for doubtful accounts	\$ 700000	\$ 1600000	\$ (1100000)	\$ 1200000
Allowance for inventory obsolescence	\$ 200000	\$ 5300000	\$ (5200000) (2)	\$ 300000
YEAR ENDED 30 JUNE 1981:				
Allowance for doubtful accounts	\$ 1200000	\$ 2400000	\$ (1700000)	\$ 1900000
Allowance for inventory obsolescence	\$ 300000	\$ 2400000	\$ (1825000)	\$ 875000

- (1) Represents MDSI's allowance for doubtful accounts at the date of acquisition.
- (2) Represents inventory writeoffs applicable to the consumer products division.

SCHEDULE X

COMMODORE INTERNATIONAL LIMITED AND SUBSIDIARIES
SUPPLEMENTARY INCOME STATEMENT INFORMATION
FOR THE THREE YEARS ENDED 30 JUNE 1981

COLUMN A

Item	1981	1980	1979
Taxes, other than income taxes	\$ 8100000	\$ 2100000	\$ 1200000
Rents	2500000	1200000	1000000
Advertising costs	5400000	2200000	900000
Royalties	800000	200000	—

COLUMN B

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